

TO BREWSTER KAHLER

“What’s Hip Today Will Soon Become Passé”

Tower of Power

Ted Leonsis

President

America Online Services

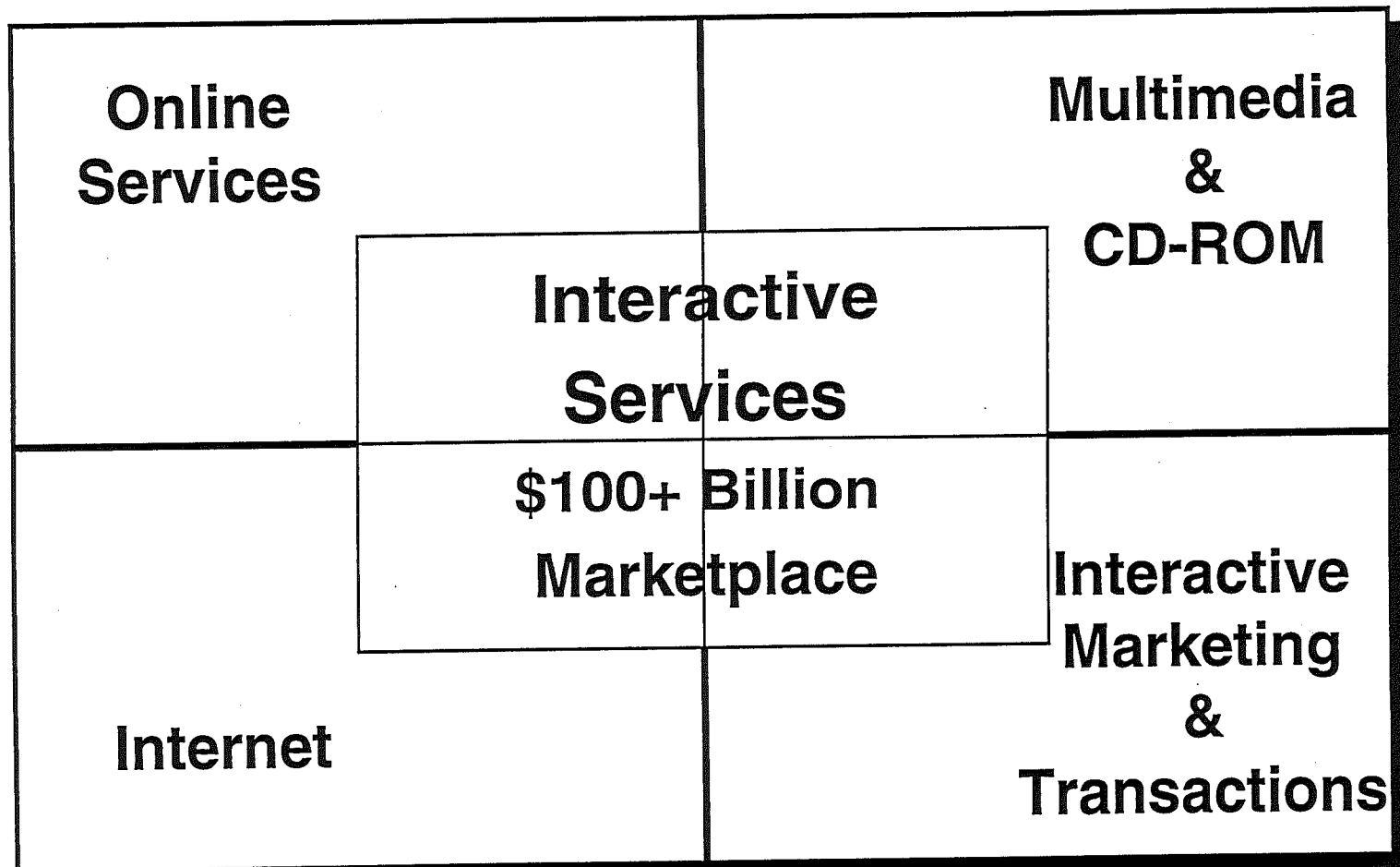
A MAN WITH A PAST

- **Wang Laboratories-office automation** 1977-1981
- **IBM PC** 1981-1984
- **Apple Macintosh** 1984-1986
- **Redgate & New Media** 1986-1993
- **America Online & GNN** 1994- present

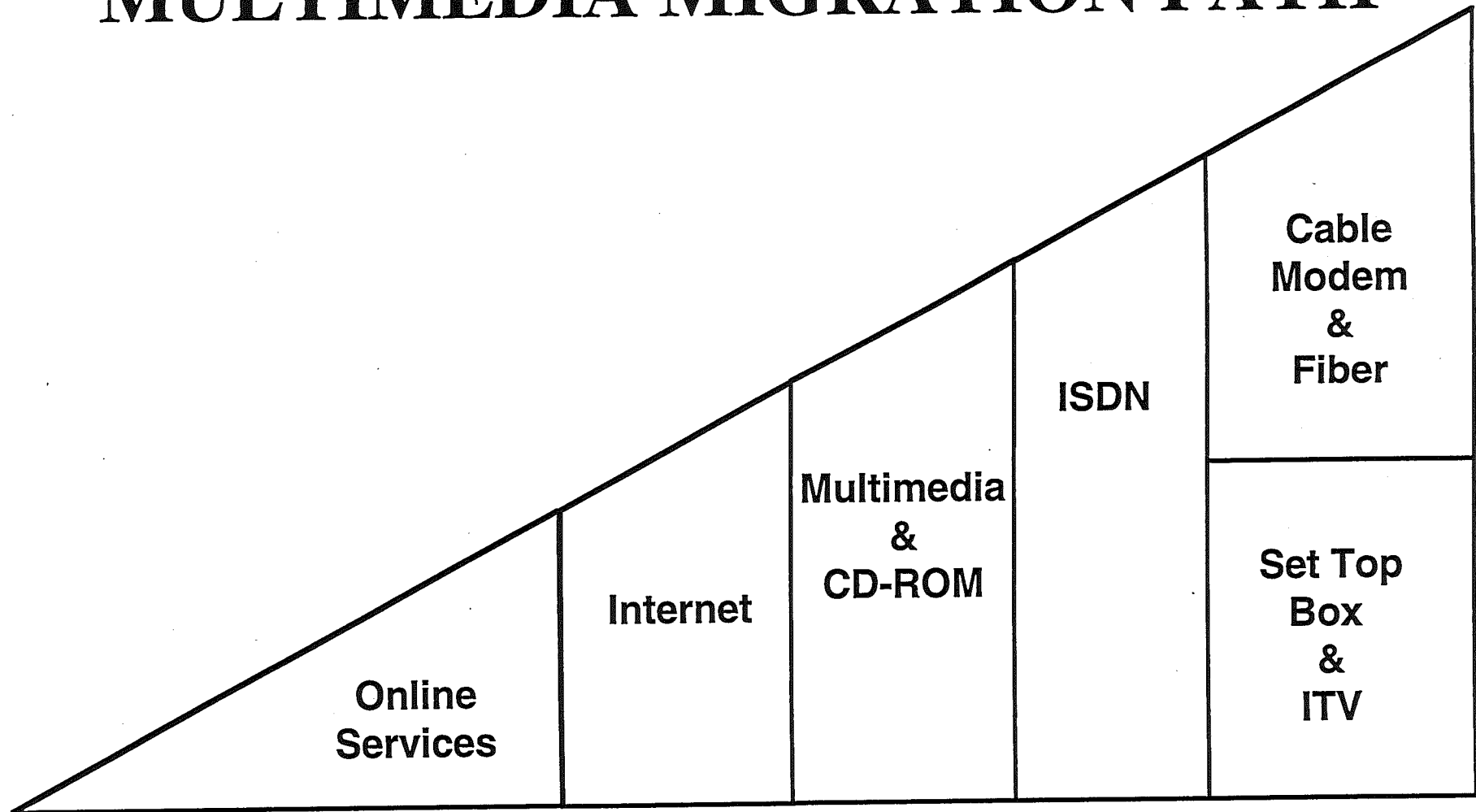
CONVENTIONAL WISDOM

- **Internet will drive commercial services out of business**
- **Content is and will remain King**
- **Consumers are flocking to the Internet**
- **Advertisers will follow consumers**
- **Consumers will pay for ala carte services**
- **Commercial services don't "get it" and are closed and proprietary**
- **Everyone will make money on the net**
- **Presumption of victory to Microsoft and Netscape**

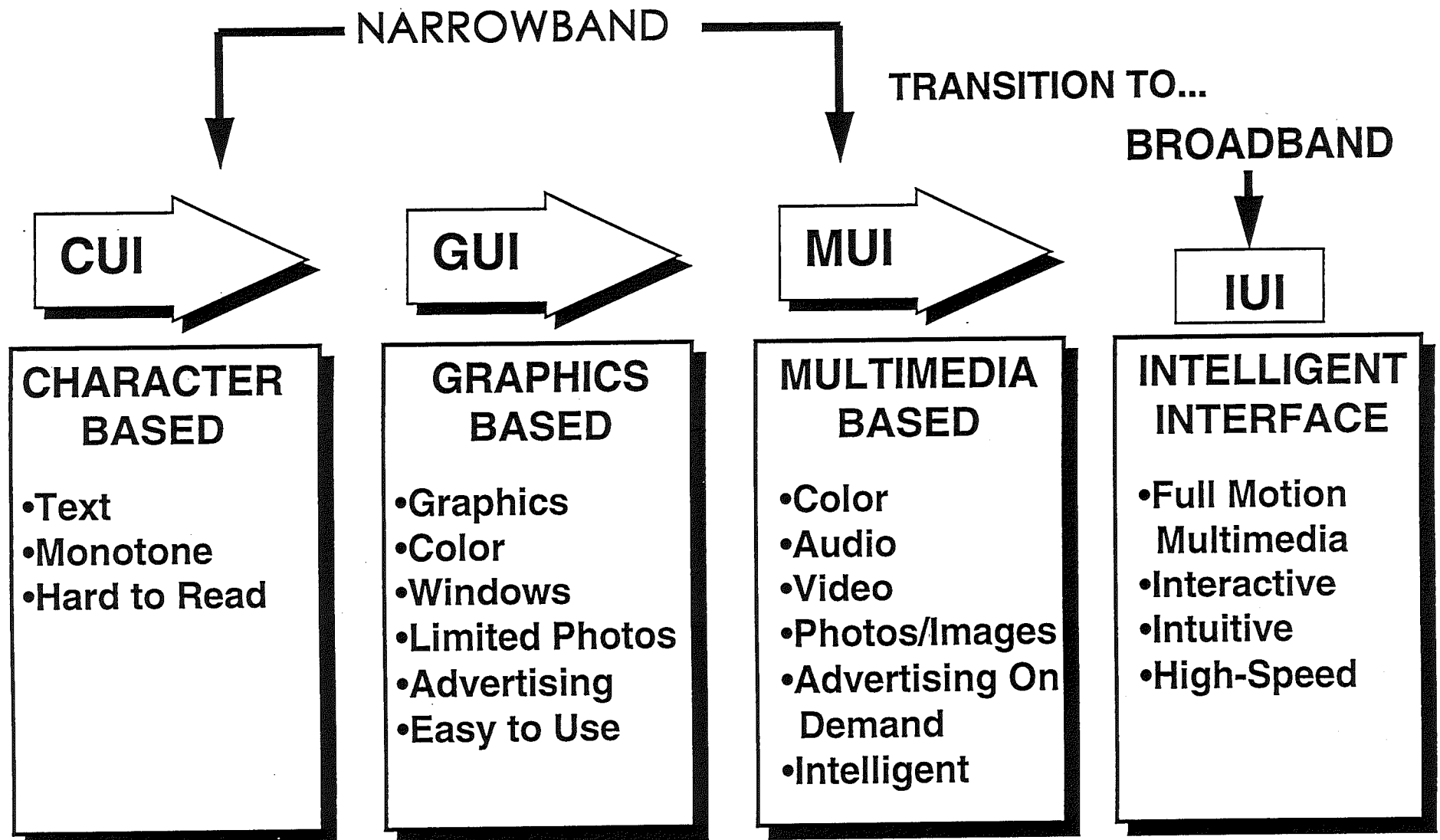
THE OPPORTUNITY



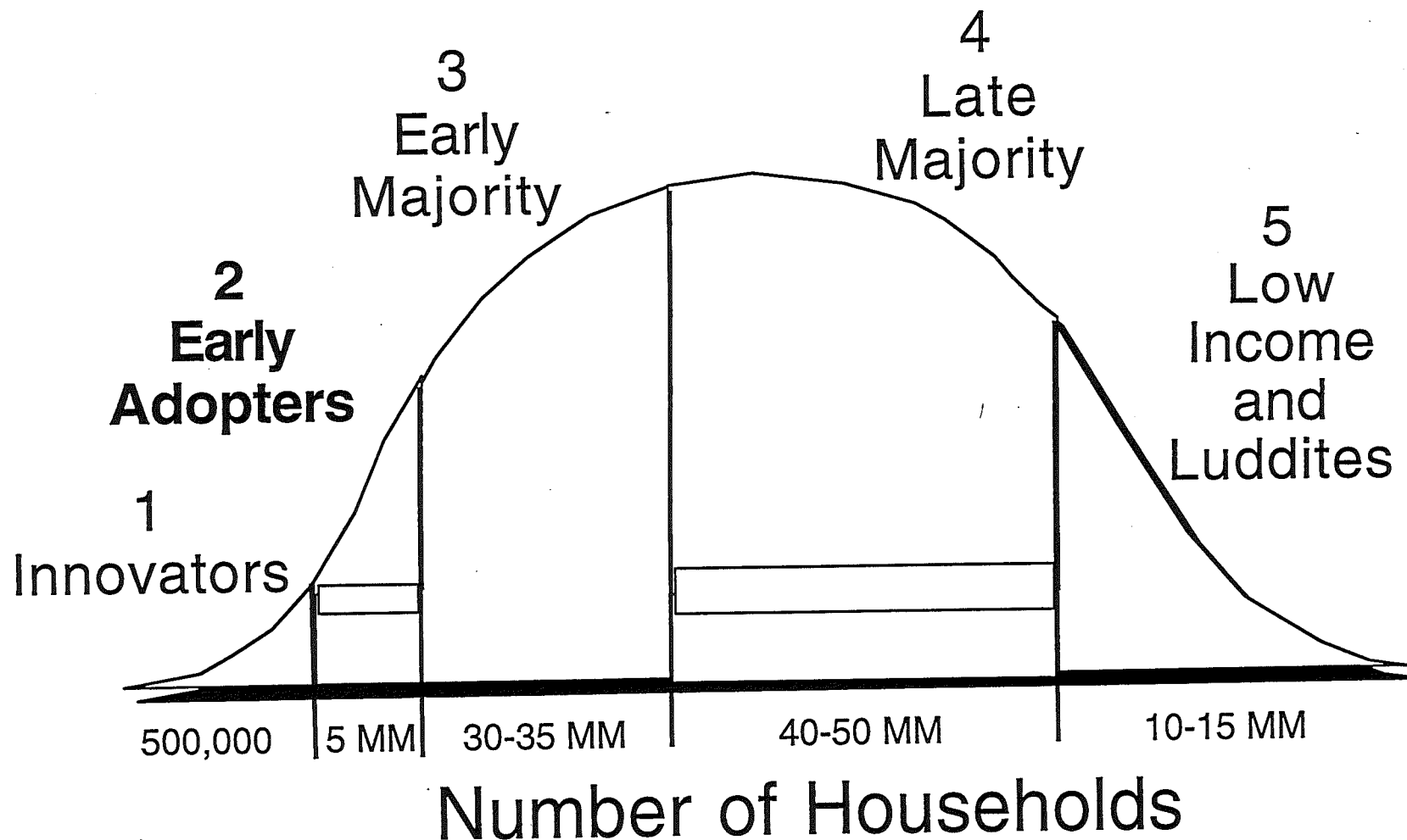
MULTIMEDIA MIGRATION PATH



EVOLUTION OF THE USER EXPERIENCE

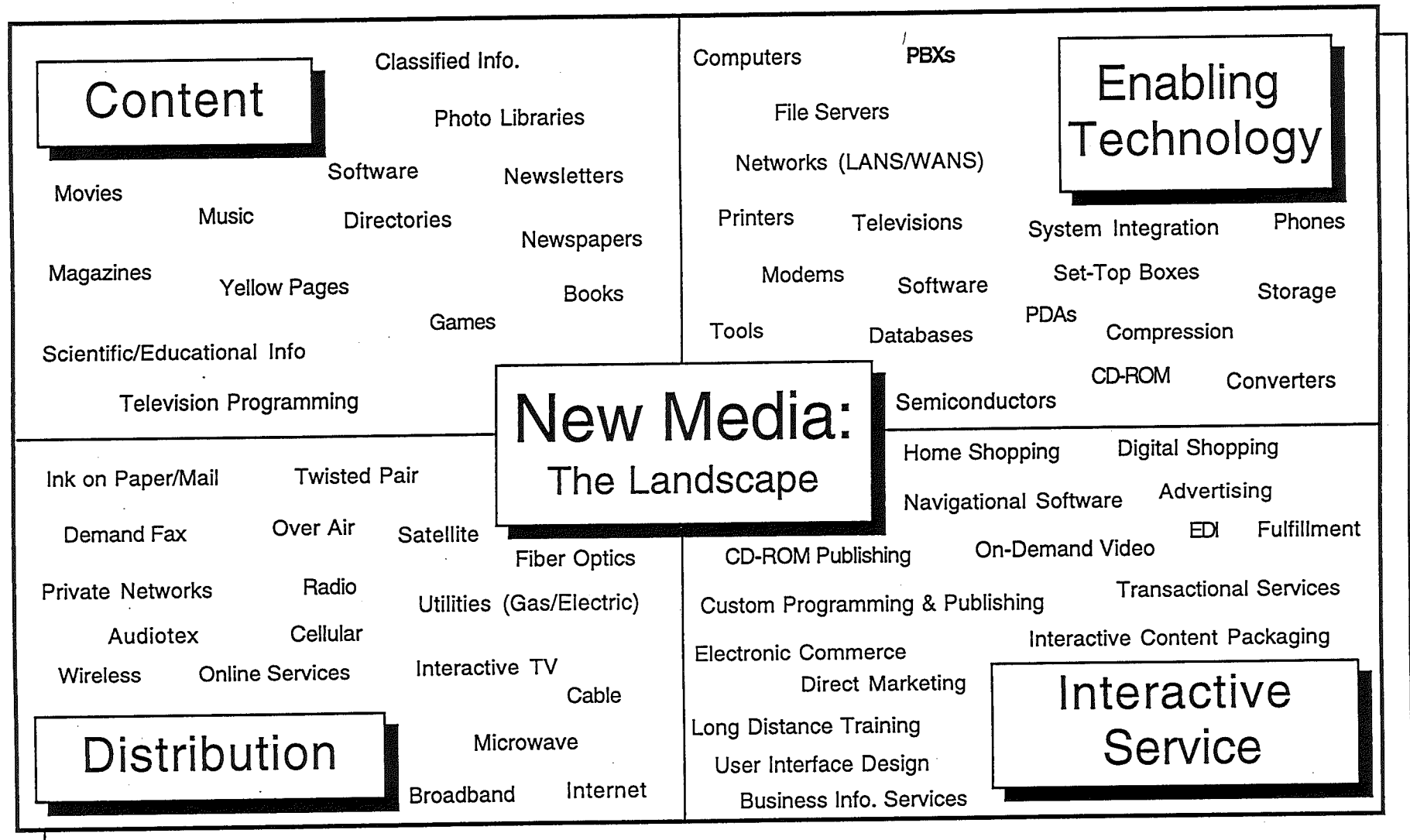


FIVE STAGES OF THE CONSUMER MARKET



Source: Decision Resources

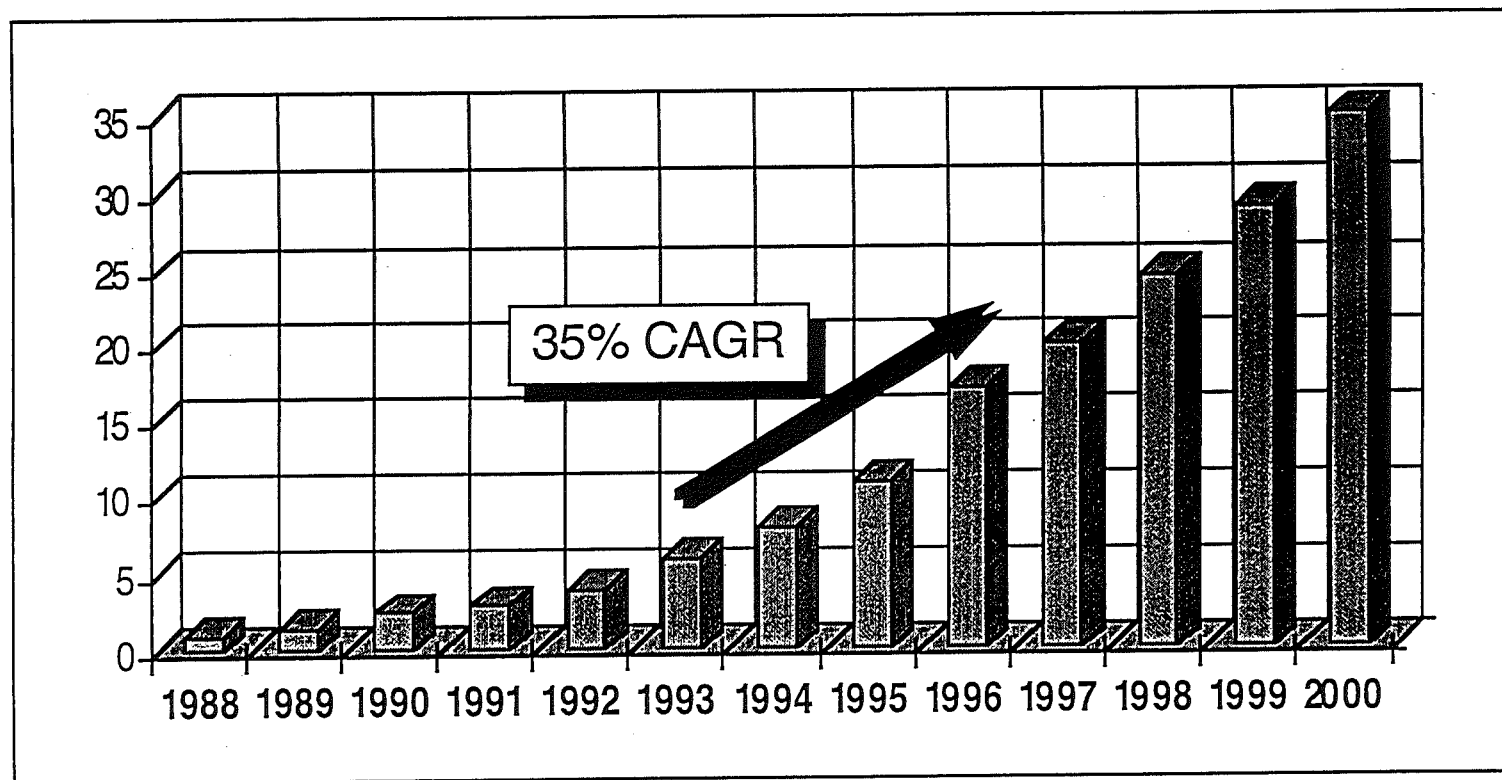
NEW MEDIA: THE LANDSCAPE



FACTOIDS

- **Online Services Market in 1994: \$800 Million**
- **\$2 Billion by 1997**
- **PC's in a Third of All US Homes**
- **50% of PC's Now Have Modems**
- **30% of PC's Outfitted With CD-ROM**
- **More PC's Shipping Into Homes Than Television**
- **AOL Hypergrowth**
- **AOL added 750,000 members in last quarter compared to 50,000 new members for Netcom**

CONSUMER ONLINE SERVICE SUBSCRIBERS GROWTH



Source: Montgomery Securities

CHARACTERISTICS OF TRADITIONAL vs. NEW MEDIA, AND WHAT IT MEANS

Traditional Media

- One-way communications
- Static/one-dimensional
- Broadcast
- Unaccountable
- Mass
- Feels good
- Hit-and-run messaging
- Nearing end of life cycle

New Media

- Two-way communications
- Interactive/multimedia
- Targeted/narrowcast
- Accountable
- Personal/granular
- Focuses on a transaction
- Builds ongoing relationship
- Is alive and well

WHAT INTERACTIVE CONSUMERS WANT ON THE NET

- **No surcharges / no premium pricing**
- **More personalization**
- **More depth of content**
- **Cooler Stuff**
- **New areas of niche content**
- **More graphics**
- **Faster access to services**
- **and multimedia**
- **Fresher information**
- **Better communications tools and directories**
- **More experts and celebrities online**
- **Shopping / transaction services**
- **Quality services (billing, support)**
- **Information / not promotion or advertising**
- **Privacy**

THE NEW TECHNOLOGY CONSUMER

- **Mostly male; increase in female members predicted in next two years**
- **Desirable demographics: 24-46 years old; 2 wage earner households**
- **75K+ household incomes**
- **Early adapters moving toward mainstream consumer**
- **Likes to get things done fast**
- **Wants to time shift / exhibits on-demand tendencies**
- **Active (fingertips) vs. passive (eyeballs) consumer**
- **Uses a computer at work and at home / 3.2 hours a day**
- **Short attention span**
- **Will read, but wants multimedia**
- **High expectations of the medium**
- **Wants to belong to a community**
- **Wants privacy**

INTRODUCING THE GNN BRAND

- Best of breed Internet consumer service
- Integrates the following capabilities / services of America Online under the Global Network Navigator banner:
 - AOLnet foot print of high speed pops
 - Booklink Web Browser and related software
 - Navisoft personal publishing tools
 - Directory services created by Redgate
 - GNN editorial front end and Web navigation
 - AOL Internet technical services infrastructure
- A La Carte pricing and integrated digital marketing programs
- To be previewed August 24, 1995

GNN POSITIONING

<p>National Web Access Providers</p> <ul style="list-style-type: none">• AOL• CompuServe• PSI• NETCOM• Prodigy• MSN	<p>Consumer Distributor / Packager for the Web</p> <ul style="list-style-type: none">• GNN			
	<table><tr><td><p><u>Software</u></p><p>Netscape Spry</p></td><td><p><u>Servers</u></p><p>NETCOM Sun Netscape</p></td></tr></table>	<p><u>Software</u></p> <p>Netscape Spry</p>	<p><u>Servers</u></p> <p>NETCOM Sun Netscape</p>	
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<p>Local Access Providers</p> <ul style="list-style-type: none">• RBOC's• Cable MSO's• Regional players	<table><tr><td><p><u>Directories</u></p><p>Yahoo Redgate Ziff</p></td><td><p><u>Services</u></p><p>ACG Proxima WAIS</p></td><td><p>Information Providers as Web Front Ends</p><ul style="list-style-type: none">• Pathfinder• Hot Wired• USA Today</td></tr></table>	<p><u>Directories</u></p> <p>Yahoo Redgate Ziff</p>	<p><u>Services</u></p> <p>ACG Proxima WAIS</p>	<p>Information Providers as Web Front Ends</p> <ul style="list-style-type: none">• Pathfinder• Hot Wired• USA Today
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COMMERCIAL SERVICES VS. THE INTERNET, TODAY

America Online

- It's more and more about families and women...
- It's about packaging...
- It's about unification/simplification...
- It's about community more than content...
- It's about open, but organized...
- It's about the next mass market...

The Web

- It's mostly about men...
- It's about Netscape 'Roll Your Own'...
- It's about Netscape disintermediation...
- It's about HTML documents...
- It's about open, but chaotic...
- It's about niches, and vertical markets

COMMERCIAL SERVICES VS. THE INTERNET, TODAY

America Online

- It's about consumers...
- It's about consumers...
- It's about lower bandwidths..
- It's about one price billed to consumer...
- It's about programming...
- It's about non-intrusive marketing and New Media life forms
- It's about community...
- It's about prime time...

The Web

- It's about enterprises...
- It's about IP's...
- It's about corporate high speed networks...
- It's about pay per view ala carte pricing...
- It's about "hunter gatherers"...
- It's about advertising...

It's about going "place to place"...

- It's about day time...

COMMERCIAL SERVICES VS. THE INTERNET, TODAY

America Online

- It's about creating a new mass medium...
- It's here now
- It's about kicking Microsoft's butt

The Web

- It's about enabling individuals to communicate
- It's here now
- It's about kicking Microsoft's butt

SO WHERE'S THE MONEY TO BE MADE?

Invest In...

- **New Media
programmers**
- **Transaction based
companies**
- **Security based
companies**
- **Service providers to IP's**
- **Server technology
companies**
- **Vertical market network
providers**

Run Away From...

- **Access providers**
- **Browser software
companies**
- **Local service on ramps**
- **Consumer based
network suppliers
starting from scratch**